



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

November 12, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: November 10, 2003 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$940.0 million in the October 11-November 10, 2003 collection period. Tax payments were very strong this month and exceeded the estimate by \$50.2 million (5.6 percent). This more than offsets last month's shortfall. GFS collections are now \$44.1 million (2.6 percent) higher than expected cumulatively since the September 2003 forecast. For the month, all major taxes with the exception of the state levy and cigarette tax receipts were higher than the estimate.

Economic news continues to be very positive. Real Gross Domestic Product (GDP), the broadest measure of economic growth, increased at a 7.2 percent annual rate in the third quarter of 2003. This is the strongest growth since 1984. Perhaps more importantly, nonfarm payroll jobs increased 126,000 in October. This followed an increase of 125,000 in September. The higher employment numbers combined with an increase in hours worked and a drop in the unemployment rate, make a strong case that the "jobless recovery" may be over at least for the U.S economy. Although Washington's payroll employment declined slightly in September, strong growth in revenue indicates that consumers and business confidence is improving.

Revenue Act (retail sales, business and occupation, use, and public utility taxes) receipts were \$21.2 million more than expected for the month. Collections this period primarily reflect September 2003 business activity of monthly taxpayers and third quarter activity of quarterly filers. This month's positive variance more than offset last month's shortfall. Cumulatively, Revenue Act receipts are \$10.1 million (0.7 percent) above the September forecast. Revenue growth accelerated sharply this month with Revenue Act receipts 6.2 percent above the year-ago level after adjusting for new legislation. Revenue Act receipts have now increased for six consecutive months. This month's increase was the largest since January 2001. However, weak growth last month (1.8 percent) held growth for the third quarter to a more modest 3.8 percent. Revenue growth has continued to improve on a quarterly basis and if the state's job picture gets better as expected, we are likely to continue to see improvement in revenue growth.

Memo to Forecast Council Members

November 12, 2003

Page Two

Preliminary data on tax payments of 8,800 large taxpayers who filed electronically for the current month indicate modest to good growth across-the-board. Total tax payments of business in the retail trade sector were 5.5 percent above the year-ago level, with all sectors reporting increases. Building materials/garden equipment retailers reported the largest gain (12.7 percent), and the only double-digit increase. Apparel and accessory stores and non-store retailers reported high single digit increases. Outside retailing, all major sectors reported increases with the exception of finance and insurance businesses and firms in the arts, entertainment and recreation sector. As a whole, non-retail trade sectors reported a 3.0 percent increase in tax payments.

Other General Fund taxes collected by the Department of Revenue were \$28.9 million above the estimate for the month. Stronger than expected estate tax, real estate excise tax and unclaimed property receipts (included in the "other" category) accounted for the majority of this month's Non Revenue Act variance. Estate tax revenue is very volatile on a monthly basis and this month's variance includes payment from two relatively large estates. Unclaimed property transfers to the General Fund were \$12.3 million more than expected this month. This likely reflects earlier than expected implementation of a law change which reduces the holding period of some unclaimed property from five to three years.

Real estate activity is still growing faster than expected and exceed the forecast for the month by \$10.4 million. Real estate activity (closings in September which reflecting tax payments to the state in October) was 40.6 percent above the year-ago level statewide. Last month it increased 30.2 percent and it has grown more than 20 percent for the last six months and eleven of the past twelve months. In September the number of transactions was up 28.3 percent, while the average value per transaction increased 9.6 percent.

Department of Licensing General Fund-State collections were \$82,000 above the estimate for the month and are \$35,000 higher than expected for the two months since the September forecast.

The attached Table 1 provides a comparison of collections with the September 2003 forecast for the October 11 - November 10, 2003 collection period and cumulatively since the September 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
November 10, 2003 Collections Compared to the September 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
October 11 - September 10, 2003				
Department of Revenue-Total	\$889,122	\$939,237	\$50,115	5.6%
Revenue Act** (1)	770,928	792,111	21,183	2.7%
Non-Revenue Act(2)	118,194	147,126	28,932	24.5%
Liquor Sales/Liter	6,992	7,464	472	6.8%
Cigarette	4,728	4,448	(280)	-5.9%
Property (State School Levy)	35,347	32,436	(2,911)	-8.2%
Estate	9,259	15,747	6,487	70.1%
Real Estate Excise	39,562	49,932	10,369	26.2%
Timber (state share)	0	0	0	NA
Other	22,305	37,100	14,794	66.3%
Department of Licensing (2)	639	721	82	12.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$889,761	\$939,958	\$50,197	5.6%
Cumulative Variance Since the September Forecast (September 11, 2002 - November 10, 2003)				
Department of Revenue-Total	\$1,686,495	1,730,553	44,058	2.6%
Revenue Act** (3)	1,479,659	1,489,801	10,142	0.7%
Non-Revenue Act(4)	206,835	240,751	33,916	16.4%
Liquor Sales/Liter	15,430	16,099	669	4.3%
Cigarette	9,389	9,691	302	3.2%
Property (State School Levy)	45,997	42,281	(3,716)	-8.1%
Estate	19,623	26,457	6,834	34.8%
Real Estate Excise	87,881	102,154	14,273	16.2%
Timber (state share)	0	0	0	NA
Other	28,516	44,070	15,554	54.5%
Department of Licensing (4)	1,393	1,428	35	2.5%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,687,888	\$1,731,981	\$44,093	2.6%

1 Collections October 11 - November 10, 2003. Collections primarily reflect September 2003 activity of monthly taxpayers and q3, 2003 activity of quarterly filers.

2 October 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the September 2003 forecast; (September 11 - November 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the September forecast; (September & October 2003) and revisions to history.

5 Lottery transfers to the General Fund.

* Based on the September 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
October 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
September 11-October 10, 2003				
Department of Revenue-Total	\$791,316	\$791,316	(\$0)	-0.0%
Revenue Act (1)	697,690	697,690	0	0.0%
Non-Revenue Act(2)	93,626	93,626	(0)	-0.0%
Liquor Sales/Liter	8,635	8,635	(0)	-0.0%
Cigarette	5,243	5,243	0	0.0%
Property (State School Levy)-net	9,846	9,846	(0)	-0.0%
Property tax collections	9,846	9,846	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	10,710	10,710	0	0.0%
Real Estate Excise	52,223	52,223	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	6,970	6,970	(0)	-0.0%
Department of Licensing (2)	691	707	16	2.3%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$792,007	792,023	\$16	0.0%

Cumulative Receipts: September 11 - October 10, 2003 & Revisions to History

Department of Revenue-Total	791,660	\$791,660	\$0	0.0%
Revenue Act (3)	698,032	698,032	0	0.0%
Non-Revenue Act(4)	93,628	93,628	0	0.0%
Liquor Sales/Liter	8,545	8,545	(0)	-0.0%
Cigarette	5,243	5,243	0	0.0%
Property (State School Levy)-net after transfer	9,846	9,846	(0)	-0.0%
Property tax collections	9,846	9,846	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	10,710	10,710	0	0.0%
Real Estate Excise	52,223	52,223	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	7,062	7,062	(0)	-0.0%
Department of Licensing (4)	691	707	16	2.3%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$792,352	\$792,367	\$15	0.0%

Preliminary. Reported in the October 10, 2003 collection report.

1 Collections September 11 - October 10, 2003. Collections primarily reflect August 2003 business activity of monthly taxpayers.

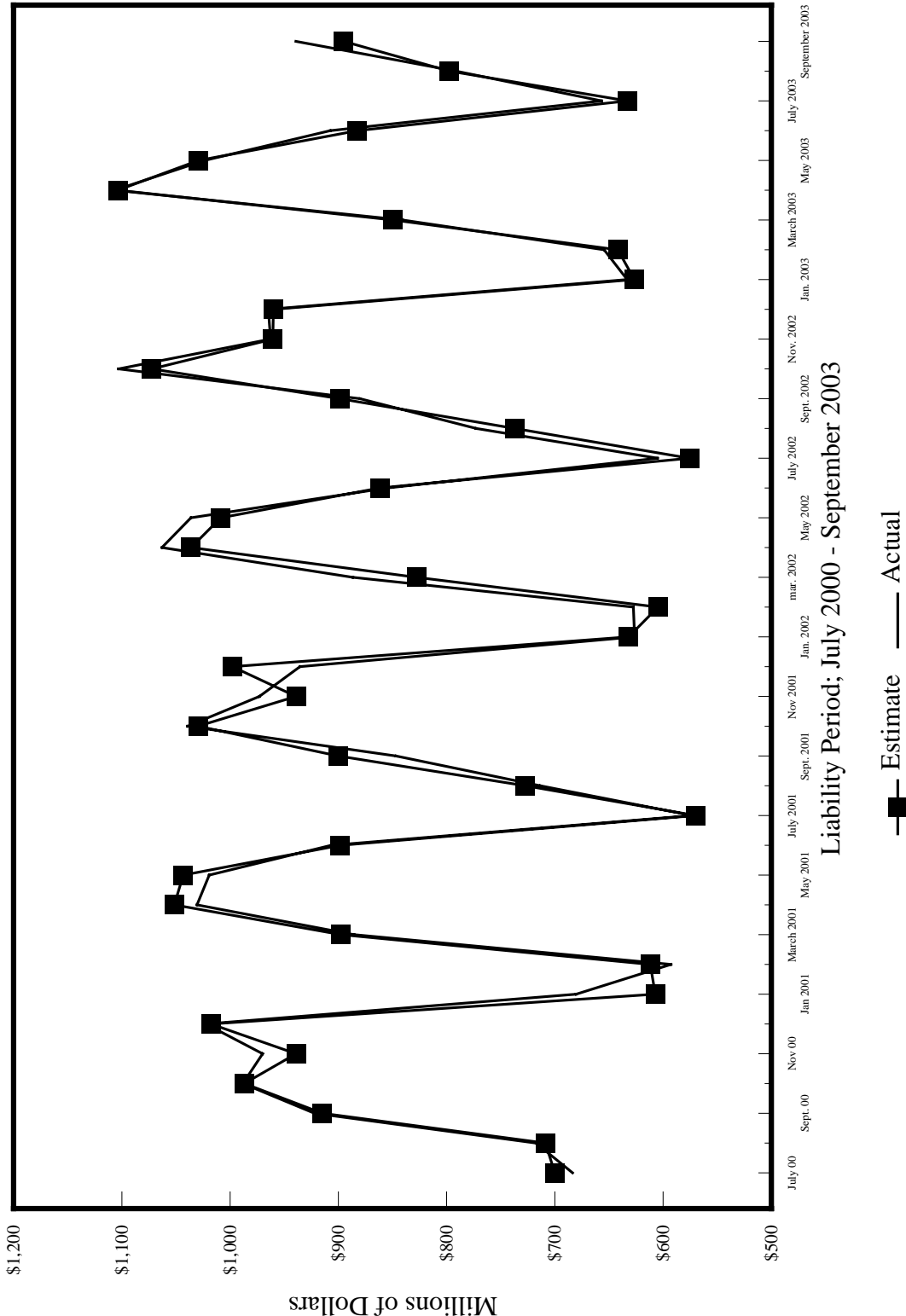
2 September 1-30, 2003 collections.

3 Cumulative receipts since the September 2003 forecast: September 11- October 10,2003 & revisions to history.

4 Cumulative receipts since the September 2003 forecast (September 2003) & revisions to history.

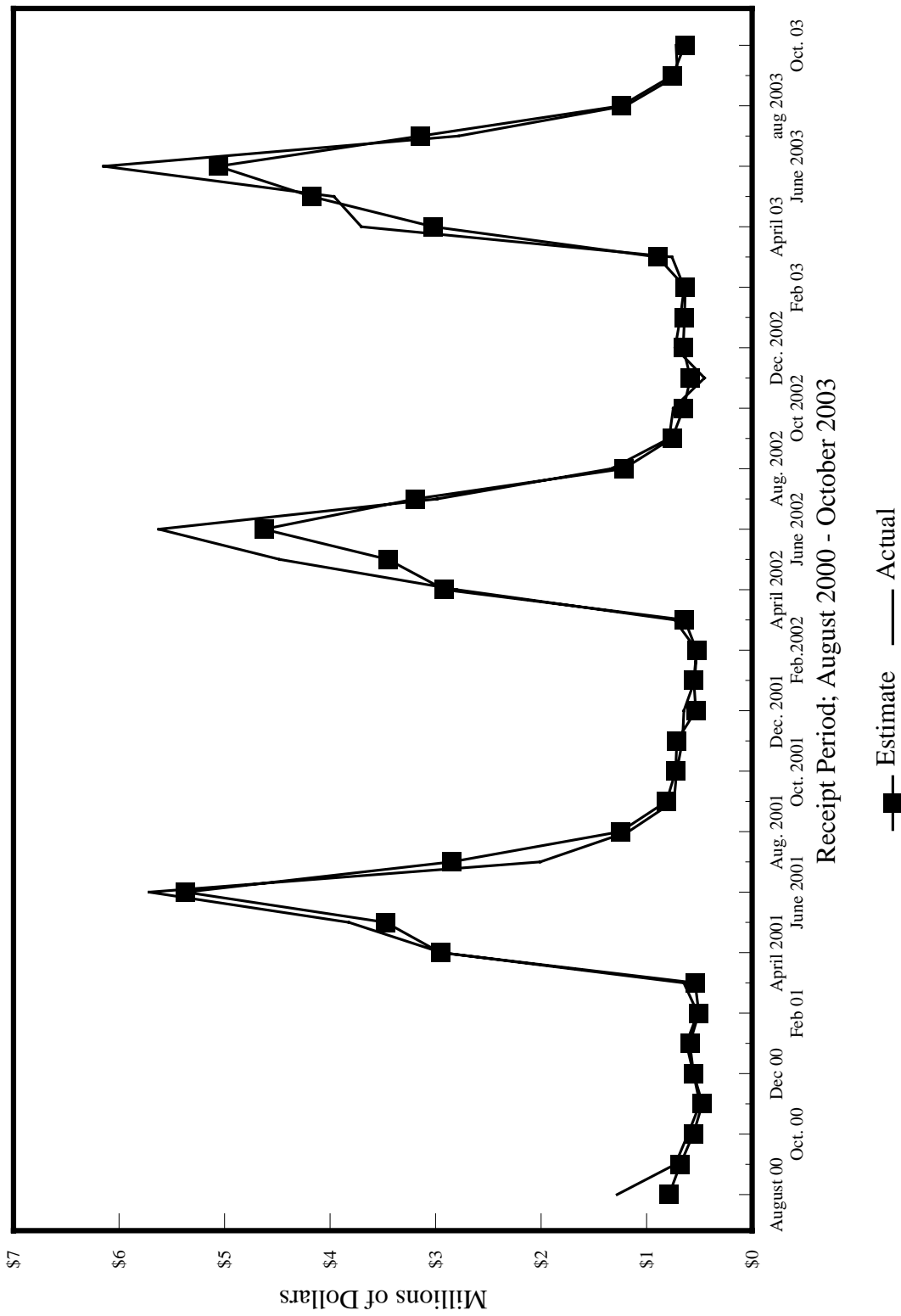
* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Department of Revenue: General Fund-State, Actual vs. Estimate July 2000 to September 2003



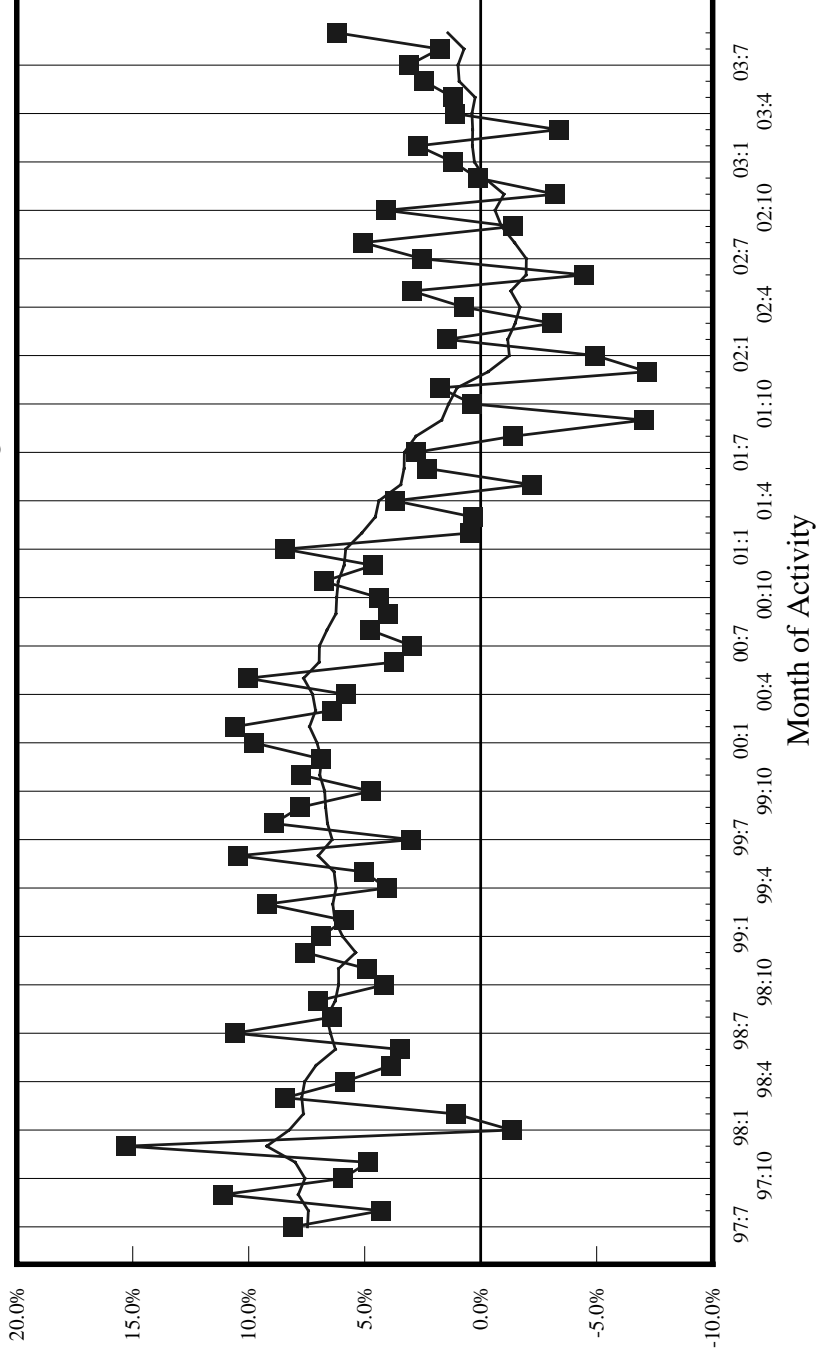
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to October 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



■ % CH from year-ago month — Twelve Month Moving Average

* Adjusted for special factors